



MassHealth Fact Sheet – FY10 H.1

Retail and Specialty Pharmacy



Overview

Driven by escalating prices for brand name drugs, pharmacy program costs continue to grow despite a very high penetration of generic drug use,. In addition, the relative proportion of the budget consumed by certain classes of branded drugs—particularly atypical antipsychotics (such as Seroquel), and so-called specialty pharmaceuticals (such as Enbrel)—is also growing. Management controls, including utilization review, prior authorization, and rate controls for these types of drugs, are required to keep the rate of financial growth within budget.

FY10 Initiatives

\$20M Savings for Retail and Specialty Pharmacy

Specialty Pharmacy

High cost injectable, biotechnology drugs represent the fastest growing segment of the pharmacy budget. These drugs are associated with complex management issues concerning pricing, distribution, site of administration, utilization management, and internal (MassHealth) program authority. Commercial insurers have developed effective specialty pharmacy programs, portions of which are transferable to the Medicaid arena.

This proposal is to establish a cross-program specialty pharmacy management program for MassHealth. One approach is to select a single provider, or other selective network; alternatively, reduced reimbursement rates for these products can be established. In addition, enhanced utilization management programs can be implemented to ensure the use of the lowest cost clinically appropriate therapeutic alternative.

Under this proposal, MassHealth can establish a Maximum Allowable Cost (MAC) limit for high-cost injectable biotechnology drugs. This ceiling could be indexed to Medicare rates, or a similar formula, to generate savings.

Other than the MAC, no one approach is applicable for all so-called specialty pharmaceuticals. The initiative will involve a series of actions that will be implemented in a step-wise fashion by therapeutic category (e.g., arthritis drugs, growth hormone, etc.)

The specialty pharmacy initiative(s) will have minimal impact on MassHealth fee for service members. Some members may be directed to different sites of care (e.g., doctor's office vs. hospital clinic) and may be impacted by a prior authorization requirement on a biotechnology drug. Certain pharmacy (and perhaps other) providers will also be impacted, however the management strategies envisioned are very similar to those used by commercial payers to handle these types of drugs.

Retail Pharmacy

The proposal will reduce the pharmacy reimbursement formula. MassHealth can reduce the current formula or adopt other formulas in determining the reimbursement rate for generic and brand name drugs. MassHealth pays retail pharmacies by calculating an estimated acquisition cost (EAC) and adding a dispensing fee. Generic drugs are further capped by establishing a maximum allowable cost (MAC). MassHealth can change either formula by reducing the

percentage associated with the EAC to Wholesale Acquisition Cost (WAC) plus 3%, decreasing the MAC for generics, or decreasing the dispensing fee.

Any changes to the pharmacy reimbursement rates will require a change in regulation (both MassHealth and DHCFP). Rate changes will also require a federal State Plan Amendment (SPA). The creation of a selective network for specialty pharmacy will require legislation and perhaps a federal waiver in addition to a SPA.